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# Apple Profit Rises 94% On Growing Global iPhone Demand

By Adam Satariano - Apr 24, 2012 5:38 PM MT

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Q QUEUE

Apple Sold 35.1 Million iPhones in Second-Quarter

Apple Inc. (AAPL) profit almost doubled last quarter, reflecting robust demand for the iPhone in China and purchases of a new version of the iPad, allaying the growth concerns that sliced shares 12 percent in two weeks.



Raymond Zhang uses his Apple Inc. iPhone 4S in front of an Apple store in San Francisco, California. Photographer: David Paul Morris/Bloomberg

Net income in the fiscal second quarter climbed 94 percent to \$11.6 billion, or \$12.30 a share, as sales rose 59 percent to \$39.2 billion, Cupertino, California-based Apple said today in a statement. Analysts had predicted profit of \$10.02 a share on revenue of \$36.9 billion, data compiled by Bloomberg show.

Chief Executive Officer [Tim Cook](#) is relying more on regions outside the U.S. for [sales](#) growth. Apple sold 35.1 million iPhones in the period after releasing the latest model in China and 21 other countries in January. That helped make up for

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April 24 (Bloomberg) -- Gene Munster, an analyst at Piper Jaffray Cos., talks about Apple Inc.'s fiscal second-quarter earnings and outlook. Apple's profit almost doubled last quarter, reflecting robust demand for the iPhone in China as well as purchases of a new version of the iPad tablet. Munster speaks with Betty Liu and Adam Johnson on Bloomberg Television's "Street Smart." Brian Blair, an analyst at Wedge Partners, and Bloomberg's Jon Erlichman also speak. (Source: Bloomberg)

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April 24 (Bloomberg) -- Paul Kedrosky, author of the Infectious Greed Blog and a Bloomberg contributing editor, talks about Apple Inc.'s fiscal second-quarter results and Facebook Inc.'s business strategy. He speaks with Jon Erlichman on Bloomberg Television's "Bloomberg West." Bloomberg's Emily Chang also speaks. (Source: Bloomberg)

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April 24 (Bloomberg) -- Apple Inc. profit rose almost doubled last quarter, reflecting robust demand for the iPhone in China as well as purchases of a new version of the iPad tablet, allaying the concerns that fueled a 12 percent two-week slump in the stock. (Source: Bloomberg)

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April 24 (Bloomberg) -- Bloomberg's Alix Steel reports on Apple's second-quarter earnings and iPhone sales. Apple's profit almost doubled last quarter, reflecting robust demand for the iPhone in China. She speaks on Bloomberg Television's "Taking Stock." (Source: Bloomberg)



The new iPad in New York City. Photographer: Spencer Platt/Getty Images

sales declines from the previous quarter at the top U.S. mobile-phone carriers, [Verizon Wireless](#) and AT&T Inc. It also quelled speculation that Apple's growth pace may slacken.

"This report should erase any doubt in investors' minds that this company can't continue to deliver," said [Jack Ablin](#), chief investment officer of Harris Private Bank in [Chicago](#), which oversees about \$60 billion, including Apple shares. "It's astounding."

Apple rose as much as 7.8 percent to \$604.22 in [extended trading](#), after having dipped 2 percent to \$560.28 at the close in [New York](#).

iPad Sales

The company sold 11.8 million units of the iPad, which was updated last month to include a high-definition screen and faster processor. Apple has sold 67 million iPads since their debuted in 2010. It took the company 24 years to reach that milestone with the Mac computer, Cook told analysts.

Analysts surveyed by Bloomberg on average predicted Apple would sell 11.9 million iPads and 31.2 million iPhones.

The company's shares had tumbled \$75.95 since a record close of \$636.23 on April 9 amid reports that indicated a possible shortage in key components for its mobile devices and showed a decline in iPhone sales at wireless carriers. Some traders also took cues from so-called technical indicators that use historical trends to predict stock movements.

The results released today add to evidence of a rebound in some pockets of the economy, lifting results for other technology bellwethers. Microsoft Corp., the top software maker, last week reported better-than-expected corporate purchases of computers, while Texas Instruments Inc., the biggest maker of analog chips, yesterday indicated robust demand for a range of electronics. International Business Machines Corp, the world's biggest computer-services provider, also reported higher profit.

Rising China Incomes

For Apple, [China](#) has made up a growing slice of results since the introduction of the iPhone there in 2009. The most populous country accounted for \$7.9 billion of revenue, 20 percent of the total, Cook said on the call with analysts. That's three times the level for a year earlier, Cook said.

"China has been a very fast-growing region for them," said Abhey Lamba, an analyst at Mizuho Securities USA Inc. in New York. "There's more disposable income, strong demand

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for high-end products and their penetration has been very low in that market. They have been highlighting that region as one of their focus areas."

Cook visited China last month, meeting with government officials and touring plants where the company's products are built. The visit came just as a labor group said workers at those facilities, which are operated by Foxconn Technology Group, were violating local laws for excessive work hours. Cook has vowed to improve conditions at the facilities.

## Growing Cash Pile

"There is tremendous opportunity for companies that understand China," Cook said on the call. "We're doing everything we can to understand it and serve the market as good as we can."

The company is in [talks](#) to sell the iPhone through China Mobile Ltd., the country's largest carrier. The opportunity to market the iPhone to China Mobile's more than 600 million subscribers would give Apple added scope for growth in [Asia](#).

Apple sold 4 million Mac computers and 7.7 million iPods, compared with 4.5 million Macs and 7 million iPods projected by analysts. Apple added to its cash hoard during the quarter. The company said it now has \$110.2 billion in cash and investments on its balance sheet. Part of that sum will be returned to investors starting later this year, when Apple plans to start paying a dividend and buying back shares.

### New iPhone?

Looking ahead to results for the current quarter, Apple [forecast](#) revenue of about \$34 billion and profit of \$8.68 a share. That compares with average analysts' predictions for sales of \$37.5 billion and profit of \$9.96 a share.

The results will be lower because Apple doesn't expect to sell as many iPhones in the quarter now under way, said [Peter Oppenheimer](#), Apple's chief financial officer. Customers often hold off on purchases of the iPhone in the months before Apple releases an upgrade. Analysts including Chris Whitmore of Deutsche Bank AG have predicted that Apple will introduce a new iteration of the handset later this year.

Cook, who took over for late co-founder [Steve Jobs](#) last year, hinted at new products that will be released.

"You're going to see a lot more of the kind of innovation that only Apple can deliver," Cook said in a statement.

Cook also discussed one product Apple won't be making. He said Apple doesn't intend to follow the lead of Microsoft, which is introducing a new operating system that will run on

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smartphones, tablets and personal computers. Cook said users prefer to have different experiences on mobile devices and PCs.

Toaster-Fridge Convergence

“You can converge a toaster and a refrigerator, but those things are probably not going to be pleasing to the user,” Cook said.

Apple benefited last quarter from lower operational costs, including lower component prices. Gross margin, the percentage of sales remaining after deducting costs of production, was 47.4 percent, compared with 41.4 percent a year earlier.

In China and elsewhere around the world, Apple is in the midst of a growing rivalry with [Samsung Electronics Co. \(005930\)](#), Asia’s largest consumer-electronics maker. While Samsung is a supplier of components for Apple devices, it also is among the biggest makers of products that run Google Inc.’s Android software. Earlier this month, Samsung reported profit rose to a quarterly record of 5.8 trillion won (\$5.1 billion).

Samsung is one of several companies entangled in patent litigation with Apple in the U.S., [Europe](#) and Asia.

Cook said that while he’d prefer to settle the lawsuits than battle in court, he didn’t give any details on when such a deal may be reached.

“We need people to invent their own stuff,” Cook said.

Apple’s results contrast with those of [Research In Motion Ltd. \(RIMM\)](#) and Nokia Oyj, which have cut jobs and reorganized operations after falling behind in smartphone sales.

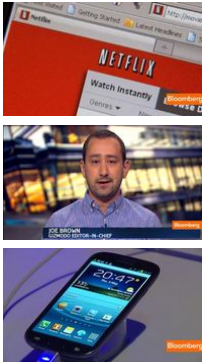
Apple’s growth also is bringing more government scrutiny. The U.S. [Justice Department](#) is suing Apple for allegedly colluding with book publishers to raise the price of e-books. Apple has denied wrongdoing.

To contact the reporter on this story: Adam Satariano in [San Francisco](#) at [asatariano1@bloomberg.net](mailto:asatariano1@bloomberg.net)

To contact the editor responsible for this story: Tom Giles at [tgiles5@bloomberg.net](mailto:tgiles5@bloomberg.net)

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